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# Strategic company management in the digital business environment

M. G. Nikolaev<sup>‡</sup>**Purpose** – to analyze strategic company management in the digital business environment.**Design/Method/Approach.** General scientific methods are applied: systematization, comparison, generalization, analysis, and synthesis.**Findings.** The essence of strategic management and its significance to a company has been analyzed. The relationship between strategic company management and digital business environment has been elucidated. Basic trends for doing business in the digital environment have been defined.**Theoretical implications.** Theoretical significance of the research is in the advancement of opinion on the strategic company management in digital business environment.**Practical implications.** The practical value of the research is in the possibility of applying the results obtained by both international and domestic companies for strategic management in the digital business environment that emerged as a result of the Fourth industrial revolution.**Originality/Value.** The main trends of modern business in the digital environment have been identified. The choice of strategies of multinational companies has been identified, as well as the areas of their application in digital business environment.**Research limitations/Future research.** The prospects for further research are to study the strategic management of international companies and analyze the impact of digital business environment on their development.**Paper type** – theoretical.**Keywords:** strategic management; digital economy; management; digital environment; adaptation.

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## Стратегічне управління компанією у цифровому бізнес-середовищі

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**Мета роботи** – проаналізувати стратегічне управління компанією у цифровому бізнес-середовищі.

**Дизайн/Метод/Підхід дослідження.** Застосовано загальнонаукові методи: систематизації, порівняння, узагальнення, аналізу та синтезу.

**Результати дослідження.** Проаналізовано сутність стратегічного управління та його значення для компанії. Роз'яснено зв'язок між стратегічним управлінням компанії та цифровим бізнес-середовищем. Визначено основні тенденції ведення бізнесу у цифровому середовищі.

**Теоретичне значення дослідження** – розвинуто думку щодо стратегічного управління компанією в цифровому бізнес-середовищі.

**Практичне значення дослідження.** Результати дослідження можуть застосувати як міжнародні, так і вітчизняні компанії під час стратегічного управління в цифровому бізнес-середовищі, яке виникло внаслідок Четвертої промислової революції.

**Оригінальність/Цінність/Наукова новизна дослідження.** Виділено основні тенденції сучасного бізнесу у цифровому середовищі. Визначено вибір стратегій міжнародних компаній та їх напрямки застосування у цифровому бізнес-середовищі.

**Обмеження дослідження/Перспективи подальших досліджень.** Вивчати стратегічне управління міжнародних компаній та аналізувати вплив цифрового бізнес-середовища на їх розвиток.

**Тип статті**–теоретична.

**Ключові слова:** стратегічний менеджмент; цифрова економіка; менеджмент; цифрове середовище; адаптація.

## Стратегическое управление компанией в цифровой бизнес-среде

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**Цель работы** – проанализировать стратегическое управление компанией в цифровом бизнес-среде.

**Дизайн/Метод/Подход исследования.** Применены общенаучные методы: систематизации, сравнения, обобщения, анализа и синтеза.

**Результаты исследования.** Проанализированы сущность стратегического управления и его значение для компании. Разъяснена связь между стратегическим управлением компании и цифровым бизнес-средой. Определены основные тенденции ведения бизнеса в цифровой среде.

**Теоретическое значение исследования.** Развито мнение о стратегическом управлении компанией в цифровой бизнес-среде.

**Практическое значение исследования.** Результаты исследования могут применить как международные, так и отечественные компании при стратегическом управлении в цифровой бизнес-среде, возникшее вследствие Четвертой промышленной революции.

**Оригинальность/Ценность/Научная новизна исследования.** Выделены основные тенденции современного бизнеса в цифровой среде. Определены выбор стратегий международных компаний и их направления применения в цифровой бизнес-среде.

**Ограничение исследования/Перспективы дальнейших исследований.** Изучать стратегическое управление международных компаний и анализировать влияние цифровой-бизнес среды на их развитие.

**Тип статьи** – теоретическая.

**Ключевые слова:** стратегический менеджмент; цифровая экономика; менеджмент; цифровая среда; адаптация.

## Introduction

Current turbulent conditions for the development of business environment require that companies should perform continuous monitoring and analysis. The business environment, in turn, is characterized by a high degree of dynamics, informational uncertainty, as well as the non-predictability of events, which requires that traditional approaches to the formation of strategic company management in the global digital space should change. Under conditions of postindustrial development, competitiveness of companies is formed through the use of digital technologies in their activities. At the same time, the economic behavior of companies undergoes changes owing to their implementation of digital economy technologies. That is why interest in companies' development and management in the digital business environment has been growing from both scientific and practical point of view.

The issues related to the development and existence of companies under conditions of digital business environment were actively discussed even in the last decade of the past century – when the Internet became available both to business entities and private individuals. Specifically, digital technology contributes to improving the effectiveness and efficiency of decision making (Molloy, & Schwenk, 1995).

The importance of strategic management was emphasized by the outstanding scientist and so-called "father" of strategic management I. Ansoff, who believed that the successful company management implies performing a constant monitoring of the external and internal environment of the firm (Ansoff, 1989). The purpose of the strategic analysis of international business environment is to identify the current and prospective state of its components, trends in change of drivers, opportunities, and threats to an enterprise based on expert assessments. The choice of a particular analysis method is predetermined by the level of uncertainty in the external environment, by research goals, by capabilities of information support, the degree of experts' preparedness, etc. (Frolenko, 2012).

The impact of the Fourth industrial revolution on business environment is the inevitable shift from trivial propagation of digital technologies that are characteristic of the third industrial revolution towards more complex forms of innovations based on a combination of different technologies in a new way. That requires that all the companies should reconsider their methods of doing business, adopting various forms of management in the digital business environment. This "world of now category" implies companies' immediate feedback in real time, wherever they are and wherever their customers or consumers happen to be (Schwab, 2019).

As stressed by O. Dzhusov and S. Apalkov, those companies that invest in information technology can expect that those countries where it is adopted will soon accomplish the economic growth and prosperity owing to the use of modern technologies. One of the imperatives in the digital economy is the capability to predict global market shifts in real time. Efficiency in managing companies under modern conditions manifests itself through the speed of digital changes and considerable spending by states and companies for research and development in the area of robotics, ICT, informatization, cloud platforms, "big data", nano- and micro system technologies, renewable energy sources, energy storage mechanisms, etc. (Dzhusov, & Apalkov, 2017). However, despite numerous scientific publications, the issues related to strategic company management and its development in the digital business environment remain insufficiently studied.

## Problem statement

The aim of research is to explore and analyze strategic company management under conditions of the digital business environment.

## Results

An analytical review of publications on dynamical processes in the global business environment makes it possible to identify characteristic changes in the theoretical substantiation of the impact of its state on determining the strategic competitive objectives for companies development and on selecting models of their implementation.

The classic definition of the concept "business environment" was provided by Y. Rubin, according to which business environment is "a set of external conditions, factors in activities and features of environment for each business entity, which directly or indirectly influence the formation of content for the activities of a given business entity and its mutual relations with other business entities" (Rubin, 2003). The existing business environment of companies is a direct result of the fundamentals for the establishment and functioning of states' economic mechanisms. Each country has its own business practices, which may have certain deviations from rational methods, because one way or another the world is changing, thereby altering the terms and conditions for doing business. The economic growth of a state and its economic security depend on the effective functioning of entrepreneurial structures, because their activity has a significant impact on employment, the pace of economic development, structure and quality characteristics of the internal gross domestic product, restructuring of the economy, etc. (Papp, 2013).

However, according to some studies (Melnik, 2007), one can highlight current trends relating to the business world in general. First, business environment is part of the social environment and, under condition of a positive status, acts to increasing national wealth and well-being. Second, a function of the business environment quality is the effectiveness of economic processes in a country. Third, no less important feature is that the business environment has properties of territorial integrity, within which relationships and relations among business people, nation, and institutions (government, financial-credit, etc.) are created.

Scientific and technical progress makes it possible and necessary to manufacture products with a market novelty while new digital resources contribute to that communication process engages people from most countries of the world. The trends toward revolutionary transformation of technologies, first of all, information and digital, predetermine the increase in the impact of globalization and monopolization in the international business.

The scientific literature puts more emphasis on the perception of business environment in the global dimension. At the present stage of the business environment development, as noted by the head of the Ukraine's Association of doctors of philosophy D. Lozovitsky, one can formulate the ten global trends in business that fundamentally alter the essence of the concept of management (Lozovitsky, 2017). Development of modern business environment is characterized by a rapid growth in the rate of change and intensity of competition, which strengthens the dependence of entrepreneurial structures on the level of information awareness and the adaptive capabilities of companies (Marchenko, 2013). Global companies, in particular, need to accelerate their businesses and adjust processes, strategies, and business models in proportion to the course of events. In a world where markets are in constant motion, the strategies for searching and advancing a product must restructure very fast. At the time when digital technologies disrupt the dynamics of markets, they also bring solutions for companies that are forced to work at the speed of the Internet networks.

Therefore, the first trend in the modern business of the 21st century can be described as: "the future comes faster than management expresses a desire to say goodbye to the present".

The essence of the second trend is in the statement: "the capability to adapt is the evolutionary feature of business efficiency, and the ability to adapt quicker than others is a competitive advantage of the future". The distinctive features of modern world are a high

degree of uncertainty, enhanced dynamism, globalization, tough competition. Under these conditions, there is no any single universal method of management that could ensure that a specific company adapts quickly, since its state depends on many factors (the potential of the company, demand for products, behavior of competitors, state of the economy in general, etc.), which is why each company must devise its own strategy for survival and development, based on the general principles of strategic management (Babiy, 2016).

The third defining trend (Lozovitsky, 2017) is the need to not just predict or plan a company's activities, but its clear, profound, multi-variant, current and future forecasting, under continuously variable conditions". In the classical management theory, scientists have no consensus on defining the role of forecasting in the strategy of a company and in the system of strategic management. Thus, for example, D. Shandle and K. Hatgen believe that strategic management is the "process of determining and establishing a relationship between the organization and its environment, consisting in the implementation of the selected goals and in the attempt to achieve the desired state of relationships with the environment by resource allocation, which would make it possible for the organization and its units to function efficiently and effectively (Schendel, & Hattch, 1972). J. Higgins understands this concept as "a management process aimed at implementing the mission of the organization by managing the organization's interaction with its environment" (Higgins, 1983). According to I. Ansoff, strategic management is "a multi-faceted, formally-behavioral management process that helps formulate and

implement effective strategies, which contribute to balancing the relations between an enterprise and the external environment, as well as achieving the defined goals" (Ansoff, 1989). O. Vikhansky and A. Naumov argue that strategic management is such a management of the organization, which relies on the human potential as the foundation of the organization, directs the production activities to consumers' needs, providing flexible regulation and timely changes at the enterprise, which match the challenges from the environment and make it possible to achieve competitive advantage" (Vikhansky, & Naumov, 1996).

Authors K. Coyne and C. Subramaniam note that strategic management, rather than "the ability not to go off the chosen course", has transformed into a process of active continuous management of strategy development depending on changes in the sectoral conditions (Koin, & Subramanym, 2011). P. Drucker believes that modern idea of management and its methods are applicable to all structures of society and provide a sustainable existence and development under conditions of uncertainty, variability in not only market environment, but also non-commercial activities in the social and scientific areas of society (Drucker, 1999).

The external environment of a company is characterized by complexity, variability, and uncertainty, and, typically, it defies direct control. The theory of strategic management distinguished four levels of uncertainty in the external environment of the company, which are formed by different combinations of its complexity and variability (Table 1).

Table 1

Characteristic of uncertainty levels in a company's external environment\*

Uncertainty level	External environment state	Characteristic
Low	Simple and steady	If external conditions are quite certain, they can be anticipated, controlled, and taken into consideration in advance when making decisions.
Moderate	Complex but stable	The elements of such an environment do not change very quickly or unexpectedly.
Rather high	Simple and unsteady	Even though such a company is affected by a small number of elements from the external environment, their effect is very difficult to predict because they suddenly interfere in the activities of the company and destroy its plans. Rapid changes create difficulties for management team.
High	Complex and unstable	In such a situation a company faces a large variety of factors from the external environment that are changing extremely rapidly and unpredictably. In some cases, such an environment poses a threat to the existence of the company.

\*Source: compiled by author based on (Yuriy, 2015).

In order to determine the level of uncertainty of the external environment of the company, a management team will need to answer two questions: first, how many external elements are important for the activities of a given company, and, second, whether these elements change slowly and predictably or frequently and unpredictably.

Comparing the approaches by different researchers to defining the content aspect of strategic management, one can state that the complexity and dynamic nature of companies complicate the development of a model of the strategic management process.

Underlying the classic models of strategic management are the principles by I. Ansoff, H. Minzberg, M. Meskon and others (Gerasimchuk, 2000). At present, when there is a substantial transformation of the external environment, it is very important to not only change the management mechanism, but to study the feasibility of adjusting the adopted strategy.

Thus, researcher A. Babayevsky proposed, for structuring the activities of a management team, a matrix of management actions depending on the level of change in the instability of the company's external environment (Table 2).

Table 2

Matrix of management actions depending on the level of change in the instability of the company's external environment

Change in the environment instability	Management actions depending on the level of changes		
	Essential	Moderate	Negligible
Growth in instability	Adjustment of mechanism for implementing the strategy and determining the expedience of strategy refinement	Adjustment of mechanism for implementing the strategy and determining the expedience of strategy refinement	Stability of mechanism for strategy implementation
Decline in instability	Adjustment of mechanism for implementing the strategy and determining the expedience of strategy refinement	Possible adjustment of mechanism for implementing the strategy	Stability of mechanism for implementing the strategy

\*Source: compiled by author based on (Babayevsky, 2016).

Thus, to decide on the adjustment of strategy or a mechanism for its implementation, the primary task is to identify the cause of failure to meet the strategic parameters of the company's development (Skoruk, 2016).

Thus, as noted by researchers M. Nebava and O. Ratushnyak (Nebava, & Ratushnyak, 2012), strategic management should become the basis and, at the same time, a tool for effective long-term development of company in any industry, as well as a tool for solving prospective economic tasks and accomplishing socially-relevant results.

The advantages of the strategic company management under condition of change in the external environment, according to scientists, include several arguments, namely V. Dykan (Dikan, Zubenko, & Makovoz, 2013). notes that the great advantage of strategic management is reducing to a minimum the negative effects of occurring changes, as well as factors related to "uncertainty of the future". According to the author, it is the strategic management that provides an opportunity to consider the objective (external and internal) factors that lead to changes, to focus on studying these factors, to compile relevant information databases, etc. According to O. Kovtun, the feasibility of implementing strategic management has the following positive aspects: first, the strategy, by reflecting the system of values, the views of senior management of the company, its vision of the future, would help refocus staff towards right direction; second, the formed strategy would become the tool of coordination, which would ensure the alignment of goals, and, in the event of contradictions, contribute to the achievement of compromises, would help analyze activities of the enterprise, determining the causes of deviations between results and objectives (causes of strategic gaps) (Kovtun, 2006). Scientists O. Berezin and M. Bezpartochny believe that ensuring the long-term competitive advantages and a long-life cycle of an enterprise are not less important as advantages of strategic management (Berezin, & Bezpartochny, 2010).

Consequently, strategic management has quite a lot of positives; it should be noted that it is owing to it that a company's management team can ensure effective solutions to the success and sustainability of the company.

It should be noted that possibilities of strategic management are not unlimited; this type of management, similarly to all others, is not universal for any situations and tasks (Petukhova, & Stavitsky, 2015). The systematization of reasons why strategic management, under conditions of changes in the external environment, is not applied by companies' management teams has made it possible to identify three groups of factors: the lack of professional skills for building a successful company, focus on "short-term" business projects for local market and too much focus on current affairs.

A review of existing scientific approaches to strategic management and the choice of a marketing strategy shows that studies by both foreign and domestic researchers contain many opinions on the diversification of management models. Thus, based on the above definitions, one can conclude that in order to implement its objectives a company must manage the process of its interaction with the external environment, first and foremost, by building an effective system to control the accomplishment of strategic goals. However, the scientific papers do not include conceptual provisions regarding the patterns in the formation of development strategies of companies in a global digital environment.

In this context, it is advisable to note the generalization of practical experience of successful international companies and countries focused on creating the digital economy in a globalized world.

Speaking at a private breakfast, organized by CII and BCG during annual meeting of the World Economic Forum in Davos (Switzerland), Mr. Prabhu pointed (Press release, 2018) that "India opens up like never before. We welcome investors in all sectors and invest money in removing old obstacles to doing business. We

believe that there is no alternative to be part of a globalized society. By forming a new globalized system, we also solve the problems of globalization for the benefit of our culture, economy, and society".

Modern globalization underwent several different stages. The global economic crisis gave way to the new phase in the digitization of the economy and society – the integration of data, businesses, and communities within the global space. A tireless pace of ongoing digital evolution has specific development drivers: digital economy, industry 4.0, the Internet of Things (IoT), including cloud computing, intelligent systems, open standards, and cyber-security (*The Changing Competitive Environment: Standards and the Digital Economy*, 2016). Inclusive digitization will be a strong incentive for the united new globalized world.

Underlying the support to digital economy are the new technical standards. The standards of doing business have shifted to the new plane: from technical problems to positions that are of strategic importance. Success in the digital economy will require both an understanding of the standards and processes of digitizing business and participation in the process of the evolution of standards, which promote the development of digital evolution (*The Changing Competitive Environment: Standards and the Digital Economy*, 2016).

A characteristic feature of the digital business environment is that it relates to the on-demand economy, which implies, rather than selling goods and services, an access to them at the moment you need them. Orders are placed online while their delivery is offline. The benefits of such a digital business environment are, first of all, the high speed of obtaining the necessary services or goods; decrease in their price to end user by reducing the number of intermediaries; simplification of finding consumers by suppliers of goods and services.

Digitization is accompanied by a transformation of business processes: from robotics in manufacturing goods and services of mass consumption to new industries to create products with individual characteristics for each customer.

Examining the impact of digitizing the business environment on the overall innovations of international companies, a group of experts (Press release, 2018) established that those companies that invest heavily in digital technology demonstrate even stronger relationships between diversity and innovation. In addition, these companies reported an even bigger percentage of revenue from new products and services. "If companies want to accelerate growth, it is important to take advantage of the digital business environment," said Mickey Tsusaka, a senior partner at BCG and coauthor of the report. "Our research indicates that those international companies that invested in digital technology and the development of employees' skills demonstrate the largest advantages over other business groups. They are able to take advantage of the wealth of new ideas that can be created by these teams of professionals".

According to study (Lozovitsky, 2017), in today's global business environment, among the significant trends that affect the choice of strategies by international companies are the following: the shift from mass market to a changing market of individual or micro groups of customers with the focus on a constantly increasing speed of products output to the market, with a simultaneous trend towards decreasing the life cycle of products and their quick replacement.

It should be noted that international companies in the global digital environment must constantly monitor dozens, even hundreds, various factors that influence their activity, as well as dynamically prioritize their responses to these factors.

All the above trends relate to business at any country in the world, including the business in Ukraine, whose present stage of development undergoes a serious shift in terms of stimulating entrepreneurship. Of particular importance in this context is the development of small and medium business entities, which,

without requiring large starting investments and ensuring a high rate of resources' turnover, are capable to quickly and economically solve the problems related to restructuring the economy, the creation of market and its saturation with consumer goods and services (Papp, 2013).

The importance of the effective functioning of small and medium businesses is emphasized in the Act on small business for Europe, which is a program document for the EU countries in terms of policy for development of small and medium-sized businesses, where it says: "Our ability to use the potential of the development and innovation of small and medium enterprises will be crucial to the future prosperity of the EU. In a global context, characterized by permanent structural changes and increased pressure of competition, the role of small and medium enterprises in our society has become even more important. They create jobs, as well as play a key role for the welfare of local and regional communities. Vigorous small and medium enterprises are able to make Europe more resilient to the uncertainty that is inherent in today's globalized world" (Commission of the European Communities, 2008). But, despite this, the legal entities in Ukraine operate at present under rather adverse conditions in the external and internal environments. Factors such as the rapid devaluation of the national currency and, as a consequence, the drastic reduction of investment attractiveness of the Ukrainian economy, the military activities in the east of this country, as well as other destabilizing factors, negatively influenced and continue to affect the activity of legal entities, predetermining the additional threat to their commercial activities (Skoruk, 2016).

The sector of small and medium entrepreneurship is a very important part of the market economy, as well as an integral element of the competitive mechanism. However, despite this, the Ukrainian economy has been traditionally characterized by a

relatively unfavorable business climate, which has always created, and still does, obstacles for the development of small and medium legal entities in particular.

According to the results of research, including such international ratings as "Doing business" and "Index of global competitiveness", the business climate in Ukraine lags its neighbors and similar economies. However, the results of these studies argue that the situation was rapidly changing over the past years (Draft Strategy for the Development of Small and Medium-Sized Entrepreneurship in Ukraine for the Period up to 2020, 2017).

For example, in the report "Doing business" in which the rating of favorable business conditions includes 189 positions – and the higher a country's position in the rating, the more favorable the business environment is for starting and operating an enterprise (Mazi, 2015) – Ukraine climbed from position 152 (2012) to position 80 in the 2017 ranking. Such dynamics indicate that Ukraine has significant potential and is currently introducing positive changes, however, the country still needs to implement a large number of measures to improve its business climate (Draft Strategy for the Development of Small and Medium-Sized Entrepreneurship in Ukraine for the Period up to 2020, 2017).

Fig. 1 shows the position that Ukraine holds based on the "Doing business" rating, compared with neighboring economies in the region. All countries in the group are ahead of Ukraine with Poland being the leader of the group (position 24). Ukraine lags the region in general in terms of the number of points to the first position in the ranking, that is, the country that leads the ranking (Draft Strategy for the Development of Small and Medium-Sized Entrepreneurship in Ukraine for the Period up to 2020, 2017).

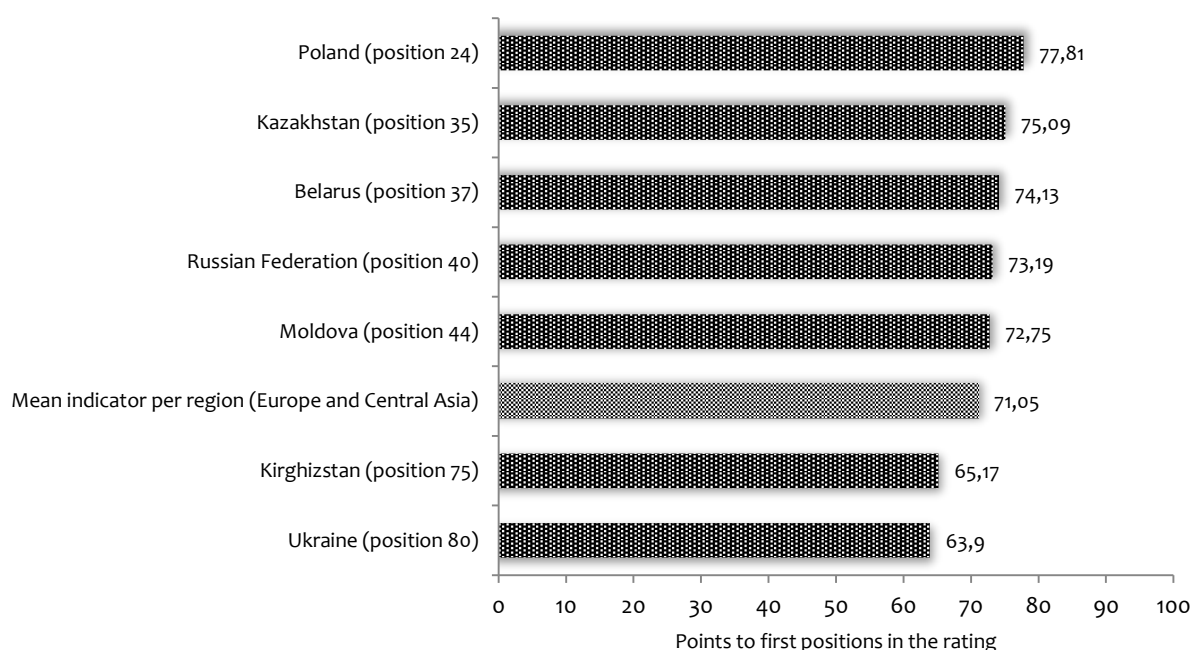


Fig. 1. Rating of Ukraine and similar economies based on the index "Doing business – 2017" \*

\*Source: compiled by author based on WB Doing Business 2017.

Fig. 2 shows positions of Ukraine according to the basic points from the rating "Doing business". Thus, for business in Ukraine, the most difficult issue is to restore solvency (position 150), and the easiest one is lending (position 20), which could be a consequence of the presence of international lending and financial resources from

different international financial organizations. However, the access to financing has remained a substantial problem for small and medium legal entities (Draft Strategy for the Development of Small and Medium-Sized Entrepreneurship in Ukraine for the Period up to 2020, 2017).

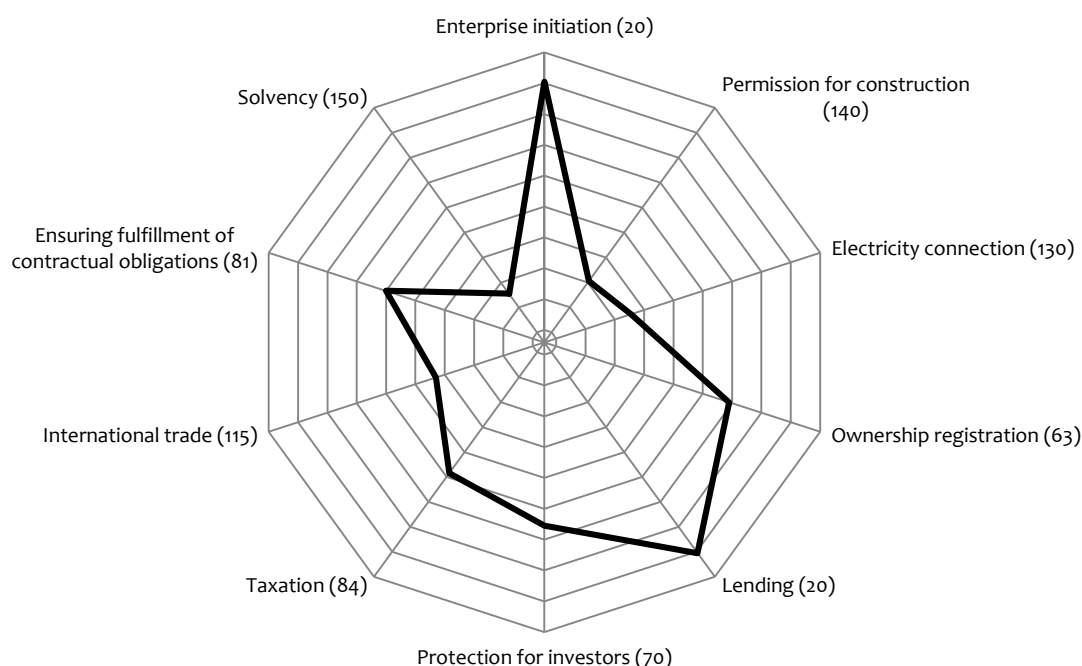


Fig. 2. Ukraine in the rating "Doing business"

Scale: rating 189 – center, rating 1 – outer network.

\*Source: compiled by author based on (WB *Doing Business* 2017).

These indicators do not demonstrate the level of digitization of Ukraine's business environment. However, according to a separate study (Chmeruk, & Kralich, 2018). Ukraine has been systematically creating its own digital infrastructure. Ukraine had started at basic technologies, the basic data transfer rate, and then gradually developed more robust network to connect rural areas. More importantly, this process, which is also aimed at the eradication of poverty, requires major government initiatives and financial support for infrastructure. On the contrary, the EU countries face another problem of digital infrastructure, which is to provide a very high-speed infrastructure for more common areas. The EU has a very advanced statistical system for tracking progress in bridging the digital divide, which helps EU politicians to develop more targeted programs to address the discrepancies among the EU countries.

According to the report by Factum Group Ukraine (*Ukraine Factum Group Ukraine*, 2018), which was published by the Ukrainian Internet Association, the increased quality level of digital skills of Ukraine's population is a significant factor in the formation of the national digital environment. Taking into consideration a decrease in the total population of Ukraine, the Internet penetration over the period from 2016 had increased and, as of May 2018, was 64.9 % (the number of the Internet users per 100 inhabitants). In 2018, the Ministry of Economy attracted technical assistance from the US Government worth of USD 78 million, of which USD 23.6 million were intended to improve the legislative and strategic environment according to European standards, improvement of functions of public monitoring and public participation in the processes of governance, to enhance the level of accountability of the Ukraine's Government to citizens and to comply norms of the rule of law (*State Statistics Service of Ukraine*, 2018).

The largest share among enterprises belongs to small businesses (94.28–94.45 %), which are the integral components of modern entrepreneurship. Therefore, supporting these legal entities by the state would greatly affect the prospects of the development of

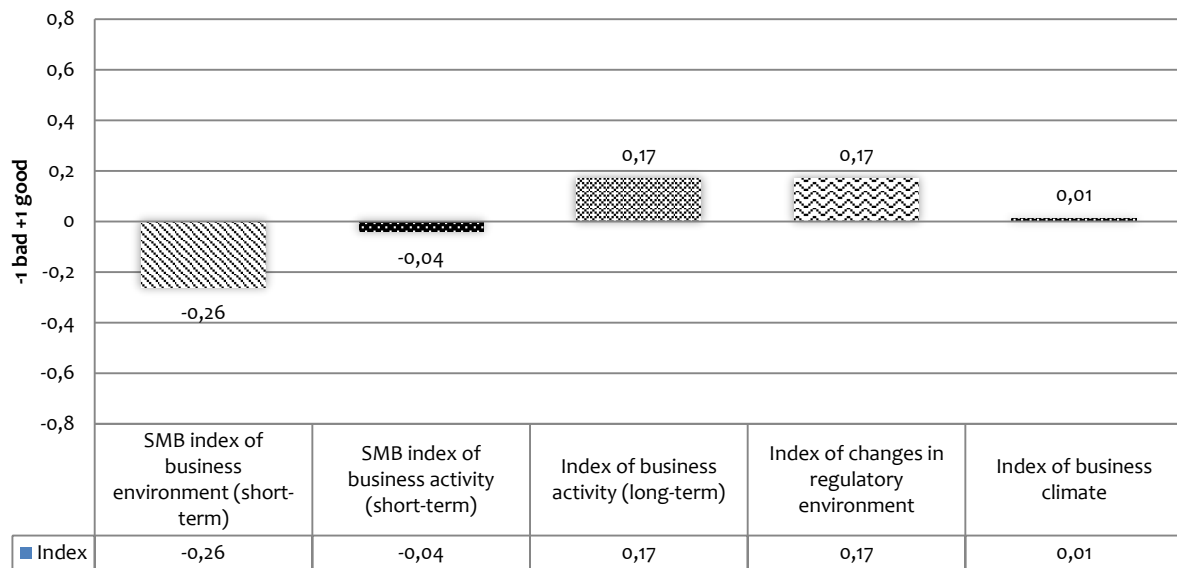
domestic enterprises in general. According to a research provided by the Institute for socio-economic transformation (Stricun, 2018), Ukraine demonstrates negative trends in the development of small and medium-sized businesses. The situation for private entrepreneurs that work legally had significantly deteriorated since the beginning of 2017, after the introduction of obligatory monthly payment of a unified social tax regardless of the actual revenues from entrepreneurship (at the time of this work – UAH 819, in 2019 – UAH 919). About 400 thousand entrepreneurs from 2 million of those registered had closed their businesses – they either stopped activities or entered the "shadow" economy. The burden of taxation in terms of paying a tax on revenues and a unified social tax on employees directly increases for micro- and small businesses.

Thus, about 80 % of micro-entrepreneurs, on average, believe that a tax on revenues and a unified social tax are too high for doing business.

Based on the results from "Annual evaluation of business climate" (2015), the index of business climate for small and medium legal entities was rather low even at that time (*Program USAID Leadership in Economic Governance*, 2015), (Fig. 2). Out of four of its components, the index of business environment (short-term) had a negative value (–0.26), the other two – the index of business activity (long-term) and the index of changes in regulatory environment – had positive values (0.17 each), and the fourth one – the index of business activity (short-term) – had a conditionally negative value, close to zero.

An analysis of components in this index shows that despite the unfavorable conditions in the business environment and economic situation in 2015, there was a tendency to a slight revival of business activity in the short-term, which had a relatively high chance to become sustainable in the long term under the condition for a change in the business environment.





**Fig. 2. Index of business climate for small and medium businesses in 2015 and its components\***

\*Source: compiled by author based on data from (Program USAID Leadership in Economic Governance, 2015).

However, still, there are more negative aspects in the field of Ukraine's entrepreneurship than positive ones, and, judging by the Ukraine's position in a series of world rankings, these are the systems problems that exist in both the business environment and in public administration (Boyda, 2016). And some of them are so global in character that handling them calls for fundamental economic reforms (Skoruk, 2016).

Based on the undertaken study, N.G. Maziy notes that one of the most significant problems in business climate is corruption (Maziy, 2015). Corruption is considered to be one of the key reasons for the slowing growth of the Ukraine's private sector, low diversification of the economy and exports, as well as low productivity. In 2015, according to data by Transparency International, Ukraine ranks 123 out of 167 countries in the Corruption Perception Index (Program USAID Leadership in Economic Governance, 2015).

In addition to the common problems of business environment, the development of small and medium-sized businesses is inhibited by specific factors and problems that are inherent to this sector of the economy, in particular the limited access to financial resources, to markets, as well as technological barriers, that is, the limited access to innovations and research (Popsky, 2015). All the above problems exert an extremely significant destructive influence on the formation of effective business environment.

Despite a number of challenges that complicate the activity of enterprises, their elimination was addressed by the Government that has already executed the following significant activities (Skoruk, 2016): it organized procedures for inspecting legal entities by administrative bodies and reduced their quantity; it followed first steps to protect domestic businesses from illegal seizures (raiders); it simplified mechanisms for obtaining permits; it carried out significant work to prepare legislative acts in the field of deregulating business activities; it introduced a unified simplified procedure of state registration of legal entities and private entrepreneurs, as well as rendering other administrative services; it created a unified State Register of legal entities and private entrepreneurs, which is open and public, it introduced electronic registration of legal entities, etc.

Based on the characteristics of the state of business environment and opportunities, the Government of Ukraine defined six strategic goals for the development of small and medium businesses (Draft Strategy for the Development of Small and Medium-Sized Entrepreneurship in Ukraine for the Period up to 2020, (2017): 1) the improvement of the legal, institutional and operational

environment for small and medium legal entities; 2) the improvement of access by small and medium enterprises to financing; 3) simplifying tax administration; 4) promoting entrepreneurial culture and the development of competitive human capital and entrepreneurial skills; 5) promoting export and internationalization of small and medium legal entities in the context of the Association Agreement and the Agreement on free trade area; 6) improving the competitiveness and innovation potential of small and medium businesses.

An analysis of accomplishment of the set goals is correlated with the strategy for creating digital economy for the member countries of OECD, which should be implemented until 2020. A review of the status of implementation of the planned measures (Organisation for Economic Cooperation and Development, 2017). indicates that the progress in the implementation of strategies of digital development in 2016 amounted to 66 % in the field of infrastructure development, 78 % – in the public sector, 56 % – in providing access to the Internet, 62 % – in the use of digital technologies, and 52 % – in the implementation of programs of e-commerce and introduction of digital business processes.

Effective management of a company in the digital business environment could include several stages that are closely related and complementary. At the first stage, the company must implement common software for use in different departments at the enterprise; harmonize operational processes in the corporate center and at production units; introduce certain pilot digital management technologies. The next stage of company management implies the development of organizational processes at all its structural units. A rapid, unified, secure, and convenient general system of data exchange is extremely important in order to activate innovative development, especially for operational decision-making, flexibility, and operating efficiency. At this management stage, the key areas include the technological automation of business-processes; automation of business communications; deep development of IT infrastructure; implementation of a budgeting system and the unified electronic document circulation; providing companies' offices with modern IT tools and mechanisms.

Thus, it is worthwhile to note that changes in the global digital environment and business environment have common trends for the development of international companies in local and national markets. Under these conditions, most companies choose the digital environment for rendering services, to sell products, to

obtain alternative sources of financing via crowdfunding platforms (Dzhusov, & Apalkov, 2016). New strategies for international business development and innovation entrepreneurship demonstrate attributes of employing cloud-based offices, resources and business models of electronic commerce (Scorpio Partnership Global Private Banking Benchmark, 2016).

## Conclusions

A general conclusion drawn by most authors is that the business environment is a rather complex concept and, in order to substantiate the causal effect that its state exerts on strategies in the development of companies, it is necessary to take into consideration the scale of its impact both within a national market and within the global economy. However, the impact of digital transformations in the global economy on the structural changes in the global market is not commonly accepted as the object of research.

The conditions of global digital business environment change basic classic rules of strategic management on the hierarchy of decision-making. Traditional organizational "heavy" structures are substituted with flexible business models. In the new economy, "heavy organizations" would eventually die out, while those "light" – would survive because they can change easier and adapt to the dynamic conditions of the digital economy. The traditional hierarchy of decision-making is too slow for the realities of the global digital environment; therefore, the new management approaches are needed. Classic theories of strategic management do not provide answers to these questions. Most of the systems related to business processes management are not designed to support the high-speed mode of decision making.

Based on the results from an analysis of existing publications, one can highlight several characteristic trends in the choice of development strategies by international companies. The fourth industrial revolution (Industry 4.0) for industrial enterprises has shifted their strategic directions, and the transition to the digital economy has led to the creation of new cyber-physical complexes, which are combined in a unified digital ecosystem. For many companies in the fast-moving industries, such as financial services and retail and consumer goods, the lack of tools for business intelligence in real-time is one of the greatest risks for their strategic planning.

According to research, companies and their clients now require tools in real time, capable to provide insight and useful information at the right time. Most companies face a problem on processing the vast array of data whose amount is growing in the global dimension. Increasingly, the competitive advantage and the price to attract a client will be acquired by gathering market information from a wide range of sources, including social networks and Web analysis tools. Despite the need to work in real time, a significant number of companies still do not have a proper business environment to implement it.

Global digital environment changes the economic processes. The infrastructure of modern business is the share of total economic infrastructure, which is used to support e-business processes and to conduct e-commerce. It includes hardware, software, telecommunication networks, support services, and human capital, all of which are employed in electronic business and trade. Basic business processes are carried out owing to cloud-based technologies and include purchasing, sale, production management, logistics, as well as services for internal communication and support. If a company is not able to adapt to technological development, then, most often, the economic and financial indicators of its activity quite dramatically change towards negative because of the high competition in the market. Of increasing popularity in today's society is the use of social networks. Thus, in the global digital environment, the competitiveness of countries, sectors, and companies undergoes profound changes. These include the fundamentally complex business and personal transactions, as well as strategic,

technological and innovative solutions, and the new state policy. It is expected that the impact will be widespread and devastating, affecting all sectors of the economy, including services and goods, as well as the involvement of jobs, innovations, and global competitiveness.

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